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Juju: Colorado, Denver Among Nation's Best Places to Find a Job

Denver is America's eighth-best city for job seekers, and Colorado ranks No. 8 among the states, according to job search engine Juju.com. Juju's "Job Search Difficulty Index" is based on the ratio of jobless workers in a given market to job openings advertised online. Juju said Denver has 3.81 unemployed workers per advertised job in December, and Colorado has 4.99, both eighth best in the nation. Washington, D.C., is rated as America's best city for job seekers, with 1.87 jobless workers per opening, followed by San Jose, Calif.; Baltimore; Boston and New York. Detroit rates last in the report among cities, with 20.76 unemployed workers per available job. Also ranked among the toughest job markets are St. Louis; Miami; Riverside, Calif.; and Las Vegas. As for the states, the District of Columbia (treated as a state) is the best job market, followed by Virginia, North Dakota, Massachusetts and Maryland. Michigan ranks as the toughest state for job seekers. Juju's Job Search Difficulty Index is calculated by dividing the number of unemployed workers in each of 50 large U.S. metro areas and each state, as reported by the federal Bureau of Labor Statistics, by the number of jobs in the company's index of available positions. **(Denver Business Journal)**

Lumberyards Mixed-Use Project Set to Rise Along South Broadway

Real estate investor Jon Cook has spent the past 40 years assembling property along South Broadway, and now he is getting ready to start an ambitious redevelopment plan. Cook, 60, is planning a mixed-use project that would include housing, office, retail and restaurant space. The project, known as The Lumberyards, would be located on several blocks west of South Broadway and West Jewell Avenue. Among the parcels included in the project is 6 acres formerly owned by The Shattuck Chemical Co., which salvaged uranium from defective fuel rods. It closed in 1982, leaving the site contaminated with radioactivity. The site was cleaned up under the federal Superfund program in 2006. "We will start in 2011, as long as the economy allows," Cook said. "We don't feel we can be more prepared than we are now for when the economy turns." The first eight-story building is being planned and designed, Cook said. It will include an upscale restaurant at street level and residences above. Cook said he plans to build one building at a time and allow it to stabilize before starting the next phase. Denver City Councilman Chris Nevitt compared Cook to Mayor John Hickenlooper and developer Dana Crawford, two people who pioneered development in Denver's Lower Downtown district. "I think Jon Cook is in an enviable position to have enough property to not only be the first guy in but to be able to really catalyze the future down there," Nevitt said. "South Denver so much needs this. There's so much potential. South Broadway is the gateway to the city." Cook's properties fall in the district covered by the Evans Station Area Plan, aimed at creating a vibrant, urban neighborhood. The plan calls for redeveloping underutilized industrial areas into mixed-use transit-oriented urban centers such as the one Cook is planning. Another of the plan's goals is to connect the area's existing light-rail station to Broadway, which will be transformed into a "Main Street" with the city's \$34.4 million Better Broadway initiative. "Broadway is the No. 1 new boulevard in the Denver metroplex," Cook said. "There are going to be a lot of exciting new changes for many years." In addition to the new buildings he is planning, Cook has made numerous improvements to the properties he has collected

along South Broadway from Interstate 25 to West Floyd Avenue in Englewood. He also built an office building at the southeast corner of Broadway and Yale Avenue, where he recently moved. Colore Pizzeria Moderna also opened in the building. HomeStars home furnishings recently moved into an old automotive facility that Cook renovated at 2059 S. Broadway. "It's a good environment," said business owner Mark Davis. "I like the action on Broadway." **(Denver Post)**

CMBS Loan Delinquencies Could Reach 7% and Beyond in 2010, says Realpoint

While the calendar is turning the page on a new year, the severe problems facing the commercial mortgage-backed securities (CMBS) market will ensure that it experiences déjà vu for months to come. The delinquent unpaid balance for CMBS loans climbed to \$37.9 billion in November from \$32.55 billion in October, a 16% spike, according to Realpoint LLC. The increase is due largely to the financial troubles of the Extended Stay America hotel chain, which is delinquent on a \$3.5 billion portion of its \$4.1 billion portfolio loan. Realpoint projects the balance of delinquent CMBS loans to grow to between \$50 billion and \$60 billion by mid-2010. A loan is considered delinquent when it is 30 days or more past due. "This outlook is mostly due to the reporting of several large loans from recent vintage transactions that continue to show signs of stress and default, along with continued balloon maturity defaults from more seasoned transactions," writes the research firm. The CMBS loan delinquency rate of 4.7% notched in November is projected to reach between 5% and 7% in the first quarter of 2010. That figure could potentially approach and surpass 7% to 8% under more heavily stressed scenarios through the middle of 2010, according to Horsham, Pa.-based Realpoint, which has been tracking CMBS loan delinquencies since 2001. The multifamily sector accounted for 26% of the \$37.9 billion delinquent unpaid balance for CMBS in November, followed closely by retail (25%), office (16%), and hotel (15%). Conversely, the industrial market accounted for less than 2% of the delinquent unpaid balance for CMBS during the same period. Health care properties represented less than 1%. Special servicers continue to have their hand full, the research shows. The volume of CMBS loans in special servicing continues to rise dramatically on a monthly basis, with November marking the 19th straight monthly increase. Specifically, the unpaid balance for specially serviced CMBS rose from a trailing 12-month high of \$58.36 billion in October to \$65.8 billion in November, or a nearly 13% increase. The number of CMBS loans newly transferred into special servicing totaled 324 in November. The current balance on those loans is \$8.64 billion. Among the transfers were 177 loans issued from 2005 to 2007 — the height of the bull market for commercial real estate lending. These 177 loans have a current balance of \$7.46 billion. Simply put, 86% of the newly transferred loan balance to special servicing is tied to the heady lending period of 2005 through 2007, when issuance was soaring and underwriting was loose. "Our default risk concerns for the 2005 to 2007 vintage transactions relative to underlying collateral performance and payment ability are more evident on a monthly basis," writes Realpoint. "Both the volume and unpaid balance of CMBS loans transferred to special servicing on a monthly basis continues to raise questions about underlying credit stability in today's market climate for these more recent

vintage CMBS deals." Indeed, the percentage of loans in special servicing increased from 8.2% of all CMBS by unpaid balance in November, up from 7.2% in October. The average loss severity — the amount written off as a loss and expressed as a percentage of the unpaid balance plus related workout fees — also is on the rise. In November alone, an additional \$254.6 million in loan workouts and liquidations across 52 loans were reported with an average loss severity of 46%. Eleven of those 52 loans had a combined loan balance of \$55.2 million and experienced a loss severity of only 1%. But 41 loans with a combined loan balance of nearly \$199.4 million posted an average loss severity of 58%. The risk of default among CMBS borrowers with balloon payments coming due is rising rapidly, either because of limited refinancing proceeds available or the properties are performing poorly. In some cases, borrowers have already exhausted their loan extension options. The office market in most metropolitan statistical areas (MSAs) continues to be roiled by layoffs, bankruptcies and corporate downsizing, even in historically strong markets such as New York. A decline in distressed asset sales or liquidations is expected into early 2010 as traditional avenues of securing new financing is less available. Realpoint projects that consumer spending will fall throughout 2010, putting a damper on the retail sector as a whole. Look for an increase in store closures and potential loan defaults. The combination of falling commercial real estate values and owners' diminished equity in their commercial and multifamily properties will prompt struggling borrowers of marginally performing assets to hand over the keys and walk away. The negative outlook for the hotel sector is growing as many sizable hotel loans and portfolios from 2005 to 2008 vintage pools have reported poor or declining results in 2009, particularly in the luxury segment. Many hotel properties are being transferred to special servicing for imminent default and/or debt relief. The bottom line is that while the economy is forecast to slowly improve in 2010, the headaches for commercial real estate borrowers and lenders won't fade anytime soon.

(National Real Estate Investor/Matt Valley)

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Goss Business Index Points to Growth in Colorado

A monthly indicator of expected business activity in Colorado slid in December but remained in positive-growth territory for the third straight month, economist Ernie Goss said Monday in his monthly Business Conditions Index report. Goss -- director of the Denver-based Goss Institute for Economic Research and director of Creighton University's Economic Forecasting Group -- also said he expects modest job growth in Colorado of 0.5 percent over the first half of 2010. Goss' monthly business index for Colorado -- based on a survey of supply managers in the state -- fell to 62.8 in December from 70.3 in November and 65.5 in October. That followed negative readings of 48.7 in September and 47.5 in August. Still, Goss called Colorado's 62.8 reading "healthy." The index ranges between 0 and 100. An index greater than 50 indicates expectations of an expanding economy over the next three to six months; 50 is "growth neutral." Prior to October, Colorado's index had been below 50 every month since September 2008 except for July 2009's tepid 51.1 reading, according to Goss' data. The index fell to 38 in April 2009. In his report, Goss said that while he expects modest overall job growth in the state by mid-2010, "manufacturing job growth will be nil as producers continue to grow output via productivity gains." He noted that over the past decade, "Colorado lost almost 60,000, or 31.9 percent, of its manufacturing employment. Most losses were due to productivity growth of more

than 80 percent over the decade." Goss said that the Colorado index for December broke down this way (with indexes for recent months given):

- New orders: 64.5 (68.9 in November, 64.4 in October, 48.3 in September, 51.1 in August, 57.3 in July).
- Production/sales: 58.9 (65.7 in November, 56.1 in October, 49.2 in September, 50.7 in August, 56.3 in July).
- Delivery lead time: 57.7 (65.4 in November, 42.6 in October, 50.1 in September, 47.9 in August, 53.5 in July).
- Inventories: 66.8 (73.7 in November, 45.7 in October, 44.7 in September, 39.4 in August, 42.3 in July).
- Employment: 66.3 (77.7 in November, 45.9 in October, 51.3 in September, 46.5 in August, 46.2 in July).

Goss separately released a three-state composite index that includes Colorado, Utah and Wyoming. Across the three-state region, the Business Conditions Index rose to 59.1 in December, the third straight month the reading was on positive ground. The three-state index was 55.4 in November, 51.6 in October, 48.5 in September, 47 in August, 51.5 in July, 41.4 in June and 38.9 in May. "While the region has yet to record overall and significant positive job growth, surveys over the past several months indicate that the region will begin experiencing increasing [job] gains in the first quarter of 2010," Goss said. The Goss Institute uses the same methodology for its survey as the Institute for Supply Management, formerly the Purchasing Management Association, in its national survey of its members. Goss is Jack A. McAllister Chair in Regional Economics at Creighton University in Omaha. **(Denver Business Journal)**

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Slow Recovery Forecast for Denver Commercial Real Estate in 2010

Grubb & Ellis Co. predicted Friday that the Denver area's commercial real estate market will start a "slow recovery" in 2010, ahead of the national commercial market that's expected to bounce back in 2011. Based in Los Angeles, publicly traded Grubb & Ellis (NYSE: GBE) is one of the country's — and metro Denver's — largest commercial real estate brokerage firms. While there will be leasing activity in the metro area this year, commercial property vacancy rates will likely stay flat because most tenants will move laterally to take advantage of attractive lease rates and landlord concessions, according to the G&E report. The Denver-area real estate investment market is expected to remain generally flat in 2010, but buyers with cash are expected to purchase lower-priced properties, including distressed assets. Metro Denver ranked 10th on G&E's "Investment Opportunity Monitor" for 2010-2014, based on property, economic and demographic variables. Only Texas cities such as Houston and Austin; California markets like Los Angeles, San Francisco, San Diego and Orange County; Washington, D.C.; Portland, Ore.; and Raleigh-Durham, N.C., are expected to do better than the Denver area when it comes to commercial real estate investment. "Leasing activity will certainly increase, and there will continue to be a large quantity of properties attractively priced for buyers with cash," Mark Ballenger, executive vice president and managing director of G&E's Denver operation, said in a statement. Bob Back, G&E's chief economist, thinks that while the national economy has started a "slow and cautious" recovery, the labor market

won't turn around until the second half of this year, since it often lags the broader economy. "Because commercial real estate lags the labor market, [the national commercial real estate market] still has a ways to go before reaching its own low point," Bach said in a statement. Other high points of G&E's Denver forecast:

- Most commercial properties sold this year will be "come in the form of note sales and other non-recorded transactions."
- Highly leveraged, lender-held buildings will get new owners, removing a major impediment to the recovery of the real estate investment market.
- Many larger office-building tenants will try to capitalize on lower rents and concessions offered by landlords at Class A and B properties, causing Class C properties to struggle to keep tenants.
- Metro Denver's industrial real estate market is expected to see "positive growth and activity in 2010" when it comes to leasing, with renewable energy companies likely being responsible for most of that activity.
- Retail leasing in the metro area could see a moderate increase in activity this year, with grocery-anchored shopping centers as well as urban sites staying "fairly stable." Most of that activity will come from educational and professional service businesses, taking advantage of lower asking rents.
- Job growth will be key to improvement in the local apartment market. **(Denver Business Journal)**

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	CURRENT	1 MONTH PRIOR	1 YEAR PRIOR
FED FUNDS RATE	.25	.25	.25
3 MONTH LIBOR	.25	.26	1.35
PRIME RATE	3.25	3.25	3.25
10 YEAR TREASURY	3.83	3.42	2.44
30 YEAR TREASURY	4.70	4.42	3.05